

## MINUTES

### **PRECOUNCIL MEETING**

Monday, September 19, 2005

10:15 a.m.

Conference Room #113

## **THEATER POLICY**

**Members present:** Jon Camp, Robin Eschliman, Patte Newman, Dan Marvin, Annette McRoy and Ken Svoboda (Jonathan Cook absent).

**Others present:** Marvin Krout, Kent Morgan, Brian Will and Teresa McKinstry of the Planning Department; Dana Roper of the City Attorney's Office; R. Keith Thompson of R-T Associates; media and other interested parties.

Marvin Krout noted that the Zoning Ordinance and Comprehensive Plan state that market studies can be done in B-5 zoning to show whether a proposed development is justified, but also any future requests the City Council may receive for B-5 zoning. In this case, a better base of information can be shared if a third party does the study.

Keith Thompson appeared. He was Senior Vice President of Regal Cinemas from late 1990-2000. Regal Cinemas is the largest theater chain in the world. Lincoln hired him to assess this particular site. What is needed to support a movie theater is a very dense population base within a reasonable driving distance and the absence of other movie theaters in the area. He has built more than 200 movie theaters. The population immediately south of the Prairie Lake site has no population. The customer base for this theater would draw away from other existing theaters. It costs in excess of one million dollars a screen to build a theater today. This will be a big box theater out by itself. The film companies and film exhibitors determine where they distribute films. They are unlikely to distribute the films to multiple theaters that are too close together.

Marvin questioned if B-5 zoning districts are the only ones that allow for a market analysis and impact development study. Krout replied yes, just B-5.

Marvin has heard people say "let the market compete." He believes there are certain barriers to entry into the theater market. Thompson stated there is no barrier to entry into the market, although it is extremely expensive. Theaters that are close in proximity to each other are probably not going to have the same movies. Film studios look at the overall market and decide on allocation. It is somewhat dependent on how Douglas Theaters reacts.

Marvin would like movie attendance addressed. If you want to create a theater and you can't get the blockbusters, you put yourself out of business. Thompson believes it would

be very tough to compete without the top movies.

Camp stated that Lincoln has a theater policy. He wondered if any other communities have policies like this. Thompson replied he is not aware of any other cities that have this policy. Camp questioned if anyone builds six screen theaters anymore. Thompson replied that some locales do build four and six-screen. The old rule of thumb was one screen per 10,000 people. That has come down to about one per 8,000 people. Most of the building in the last 8-10 years has been concentrated in the largest cities or suburban markets. Not all of those complexes are making a profit today. He is not here to say what the City Council should do, but he does say that Lincoln's theater policy works.

Camp questioned if Thompson would build a theater on the proposed site. Thompson believes the population is too sparse to support a multi-plex. It is a risky site. The existing theaters are up to date and modern facilities. He doesn't think Lincoln is underscreened.

McRoy wondered what is necessary to get a healthy return on your investment. Thompson replied that is a hard question to answer. Sometimes a large multi-plex will double the screens for a single movie. Most theater chains are looking for a 20% cash on cash return. If you invest ten million dollars, you want to see a cash flow of two million dollars. Thompson pointed out that he looks at theaters across the country. This is a huge investment. He is amazed with the number of developers that develop a movie theater and know that they will lose money on it.

Newman wondered if these mega-plexes are tracked once they go under. Thompson believes they don't retrofit well. They are cut up boxes and hard to re-develop once the movie theater goes out of business.

Camp questioned the possible phasing out for the policy. Thompson thinks South Pointe is a much more logical place for a multi-plex.

Camp questioned if Thompson were looking at sites for theater complexes, would he consider downtown? Thompson replied there has been a huge population flight from downtown. He can name on one hand, theaters that were opened downtown and they have very mixed results. His findings have been that college students don't have a whole lot of free time and their time is more spent on athletic activities as opposed to movies.

Marvin pointed out that some people think this will hurt Edgewood, but not downtown. Thompson replied that anytime you build a new theater, you take away from the overall movie going population. He believes the downtown movie population would overlap with the Prairie Lake movie population. He believes 25-30% of the business will be lost from existing theaters.

Camp would like Thompson to comment on an editorial piece in the paper. Thompson stated that the proposed theater will draw beyond a 10 minute drive. Some mega-plexes draw from the market and suck business out of the entire market. Camp wondered if this is the direction we are moving today. Thompson replied that a lot of theaters are going toward regional centers. Krout noted this is consistent with the Comprehensive Plan.

Camp wondered why more theaters aren't allowed in South Pointe if Mr. Thompson believes it would be a more appropriate site. Krout replied that is probably premature, but at some point might be a more natural location. Staff has looked at amending this theater policy before. Taking a look at the policy every four years or so might be logical.

McRoy sees people driving from 20 minutes to attend this theater. She believes it is conceivable that people would be drawn here from smaller towns that don't have movie theaters. She also wonders about the industry as a whole. People have more choices to watch movies in their own home with the popularity of large screen televisions, DVDs and in-Demand movie channels. Thompson replied the movie theater industry right now is down from last year. Attendance is dropping about 10 percent nationwide. The window from when a film is released to the box office to DVD has been shortened to almost 90 days. With the penetration of big screens televisions, industry insiders are concerned if there has been a permanent shift in movie attendance. Chairmen of several large theater chains have said several deals are being put on hold for these reasons. There could also be a record holiday season which would push movie attendance numbers back up to normal.

The meeting was adjourned at 11:00 a.m.

Respectfully submitted,

Teresa McKinstry  
Office Assistant V  
Planning Department

Q:\CC\Precouncil Minutes\2000-05\pccm091905.wpd